

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: May 28, 2008

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 08-68
Purchase and Sale Agreement with Rex Buchanan and Tina Buchanan for
Disposition of 5136 N.E. Garfield Street

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6591

ACTION SUMMARY

This action will declare 5136 N.E. Garfield Street surplus property and authorize a purchase and sale agreement in the amount of \$272,000 between the Portland Development Commission (PDC) and Rex and Tina Buchanan (Buyers) for the disposition of real property. The property, 5136 N.E. Garfield, was purchased by PDC in 2004 as part of the multi-block Vanport development effort. This property is no longer part of, or supportive to, the Vanport project and is proposed to be sold. The sale proceeds will be used to pay down the interfund loan from Oregon Convention Center Urban Renewal Area (OCCURA) used to finance the acquisition of this and other properties. Terms of the purchase and sale agreement include closing the transaction by no later than July 14, 2008.

The Buyers' intended use is as commercial property. In more than seven months of marketing the property, including more than 70 days through the widely viewed Regional Multiple Listing Service (RMLS), only one offer has been made. Other potential buyers have voiced concerns about the property backing up to an unknown commercial development and sharing an alley with commercial use.

PUBLIC BENEFIT

The property at 5136 N.E. Garfield Street is surplus property, no longer supporting the redevelopment efforts it was originally acquired to help achieve. The funds used to purchase 5136 N.E. Garfield were from an OCCURA loan to Interstate Corridor Urban Renewal Area (ICURA) (the property is located in ICURA and adjacent to the Vanport site in OCCURA). Selling the property before the loan matures in June 2009 requires the sale proceeds to be used to pay down the interfund loan. The loan must be repaid by June 2009, either from sale of property, the ICURA budget or other. Paying down the loan early will save interest expense.

The Buyers intend to occupy the property with Mr. Buchanan's real estate business, Oregon First, an opportunity for small business wealth creation. The use is a compatible fit for this corner site, diagonally across from Vanport Phase I and backing up to proposed commercial development in Vanport Phase II.

This action will support the following PDC goals:

- Develop healthy neighborhoods
- Provide access to quality housing
- Help businesses to create and sustain quality jobs
- Support a vibrant Central City (urban core)
- Contribute to a strong regional economy

PUBLIC PARTICIPATION AND FEEDBACK

Creation of the disposition plan was a partnership between the PDC Development and Housing departments with considerable discussion about the opportunity to further homeownership and affordable housing goals. The co-chairs of the Interstate Corridor Urban Renewal Advisory Committee were informed of the disposition plan as it was being developed. Concurrence with the recommended disposition plan was sought from the PDC Commissioners before being approved by PDC's Investment Committee and implemented.

The disposition plan included an initial focused marketing strategy that first offered the properties to the existing tenant. The existing tenant did not make an offer to purchase, and the strategy progressed to PDC's real estate representative marketing the properties as a homeownership opportunity through networking in the immediate community and ICURA with community organizations, local businesses, churches, and individuals. In March, the property was listed in RMLS, a comprehensive searchable database for real estate in the Portland metropolitan area and surrounding Oregon and Washington counties.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The requested action to dispose of 5136 N.E. Garfield is in compliance with the PDC Real Property Disposition Policy.

FINANCIAL IMPACT

The requested action will discontinue holding costs associated with this property, such as security, real estate taxes, insurance, utilities, and lawn care, estimated at \$580 per month.

RISK ASSESSMENT

Another offer on the property may not be made soon and holding costs continue to accumulate, such as security, interest on the inter-fund loan, utilities, insurance, and real estate taxes. The home is vacant and is a concern for neighbors. If the property does not sell by June 2009, another source of repayment of the interfund loan would have to be found, such as the ICURA budget. If this offer is not approved, we will continue direct-marketing efforts to dispose of the property.

WORK LOAD IMPACT

The work load consists of processing paper work for the disposition.

ALTERNATIVE ACTIONS

The PDC Board of Commissioners (Board) may choose to not approve the purchase and sale agreement. Housing prices could continue to decline and the lending criteria could continue to tighten. Expenditures of less than \$5,000 were made to prepare this property for sale. Additional repairs should not be necessary if we continue to market the property; however, additional expenditures for yard maintenance will be required as we move through spring and summer.

CONCURRENCE

The purchase and sale agreement was negotiated in concurrence with the project team and recommended for approval by the investment committee.

BACKGROUND

In late 2004, OCCURA loaned \$1.5 million to ICURA to accommodate the Vanport Project, a planned two-block development. The loan funds were used to purchase four single-family homes (on two blocks between N.E. Alberta and N.E. Emerson and between N.E. Martin Luther King, Jr. Blvd and N.E. Garfield) and for site preparation. In 2007, PDC staff determined that two of the single family homes acquired as part of the Vanport land assembly effort were no longer a feasible part of the development plans. The two properties are located at 5136 N.E. Garfield and 5116 N.E. Garfield. PDC staff has not been able to purchase the surrounding properties to make a continuous developable site. Therefore, the best option is for the two homes to be sold in order to repay a portion of the loan between OCCURA and ICURA.

Alternative disposition approaches for both 5136 and 5116 N.E. Garfield were explored by the disposition project team, including offering a subsidy package that would make the purchase affordable to a first-time homebuyer at or below 80% Median Family Income. The disposition team recommended selling the properties at market prices to maximize net sale proceeds. The subsidy amounts needed to make these homes affordable were determined to be not the best use of scarce housing resources when competing projects in the ICURA could gain greater affordability with less subsidy per unit. These findings were reported to the PDC Board in May 2007 and the disposition plan approved by the Executive Director.

PDC contracted with a realtor familiar with the northeast Portland housing market to market both 5136 and 5116 N.E. Garfield. A purchase offer has been negotiated on 5136 N.E. Garfield. 5116 N.E. Garfield will continue to be marketed by the same realtor.

The property, 5136 N.E. Garfield, is on the corner of N.E. Sumner and N.E. Garfield. It is a two-bedroom, single-family detached home with 1,311 finished square feet, an unfinished attic, and an unfinished basement. The home was built in 1923 and is in fair condition. PDC purchased the property in 2004 for \$272,000. The property appraised in May 2007 for \$305,000. The asking price was lowered in mid-March to \$297,900. The accepted purchase price is \$272,000 as-is.

This is the first offer received on 5136 N.E. Garfield in more than seven months of marketing, including 70 days on RMLS. The Buyers intend to use the property as office space for Mr. Buchanan's realty business. Though the initial disposition plan assumed the properties would

remain residential, preferably owner-occupied, and to sell at a higher price, the reality of the property location, the physical condition, and the current market is that the best option is for the change of use to commercial at the price of \$272,000.

The housing market has slowed in the last year. Residential real estate listings are up and fewer homes are selling compared with last year. Marketing time has increased. There are more homes for sale along Garfield competing with PDC's property and many are remodeled, or at least in better condition. The property, 5136 N.E. Garfield, backs up to a site planned for unknown commercial development (Vanport Phase II) and will share an alley with the planned commercial tenant, both issues of concern for potential buyers.

ATTACHMENTS:

A. Project Summary and Map

CC: L. Bowers, Interim Development Department Director
B. Estes, Neighborhood Senior Development Manager
S. Kuhn, Senior Project Coordinator
D. Elott, Interim General Counsel
J. Jackley, Director of Communications & Business Equity

PROJECT SUMMARY

- Project Name:** 5136 N.E. Garfield Street
- Description:** Disposition of surplus property at 5136 N.E. Garfield Street
- Location:** 5136 N.E. Garfield Street, on the southeast corner of N.E. Garfield and N.E. Sumner
- URA:** Interstate Corridor Urban Renewal Area
- Current Phase:** Designate property surplus and approve purchase and sale agreement
- Next Milestone:** Closing
- Completion Target:** July 14, 2008
- Outcome:** Net proceeds to be applied to outstanding balance of inter-fund loan
- Site/Project Map:**



☆ 5136 N.E. Garfield